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Private sector division work plan and proposed budget for 2002

Summary

The Executive Director presents the Private Sector Division (PSD) work plan and proposed budget for 2002.

In 2002, PSD plans to generate $199.2 million in net consolidated income for regular resources. In addition, $140.0 million are projected to be raised from private sector fund-raising activities for other resources. This will be achieved with expenditures of $84.2 million.

The formal decision to be made on the basis of the present document is the adoption of the draft resolution relating to the budget proposal contained in paragraph 48.

* E/ICEF/2002/2.

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I. Overview

A. Introduction

1. For the Private Sector Division (PSD), 2001 can be classified as a year of consolidation in terms of overall product and service delivery to the National Committees as well as of critical market and organizational analyses as part of the ongoing work of the UNICEF Global Private Sector Fund-raising Task Force (PSTF). This was achieved amidst a progressively evolving uncertainty in terms of economic and market outlook, possibly connected with increased options and opportunities for donors. The earlier realization of a genuine economic slowdown, exacerbated in the second half of the year by the traumatic events of September 2001 in the United States, undermined the efforts to reach the 2001 planned targets. Furthermore, the prevailing strength of the United States dollar against the Euro and the Japanese yen continues to negatively impact operating margins and contribution revenue.

2. The initial findings of the PSTF (with the final report due in early 2002) emphasize the following key areas for strategic repositioning and organizational restructuring for PSD and National Committees:

(a) Focus on fund-raising for the entire organization, supported by greeting cards;

(b) Develop a single, global income-generating strategy for the private sector, linked to a more strategic use of investment funds;

(c) Develop a detailed income-generating strategy for each National Committee through the Joint Planning Process (JPP);

(d) Reorganize PSD and National Committee structures to embrace both the fund-raising focus and more collaborative work processes between UNICEF and National Committees;

(e) Consolidate, to the extent possible, marketing, finance, administration and operations support services in one location.

3. Implementation of the said PSTF recommendations began in 2001 and will continue in 2002. Moreover, a number of further efficiency enhancement initiatives have been launched recently. These include the 2001 UNICEF guidelines on how to engage the corporate sector in pursuit of resource mobilization that were released for use to all partners. Resulting from the JPP, a focused and leveraged investment programme in donor prospecting and direct mail capacity-building was launched in two target markets - Australia and Canada.

4. Underpinned by the PSTF recommendation for further consolidation of PSD headquarters functions, it was decided that the most optimal place for the PSD consolidated headquarters from the viewpoint of proximity to major markets and financial benefits would be Geneva, Switzerland. Significantly reduced functions (international accounts, fund-raising and sales in North America and the Pacific, as well as related operations support services) will remain in New York. The new, simplified and leaner global structure will minimize the trans-Atlantic supervision and duplication of functions, allowing the redistribution of financial resources from staff costs to support resource mobilization initiatives and facilitating closer

cooperation with the Geneva Regional Office and joint collaboration with National Committees. Another important outcome of the PSTF is the increased transparency created in the cost carriers from the National Committees analyses for both National Committees and PSD.

5. The new PSD structure will comprise 190 posts, a reduction of 24 posts compared to 2001, and include four major components:

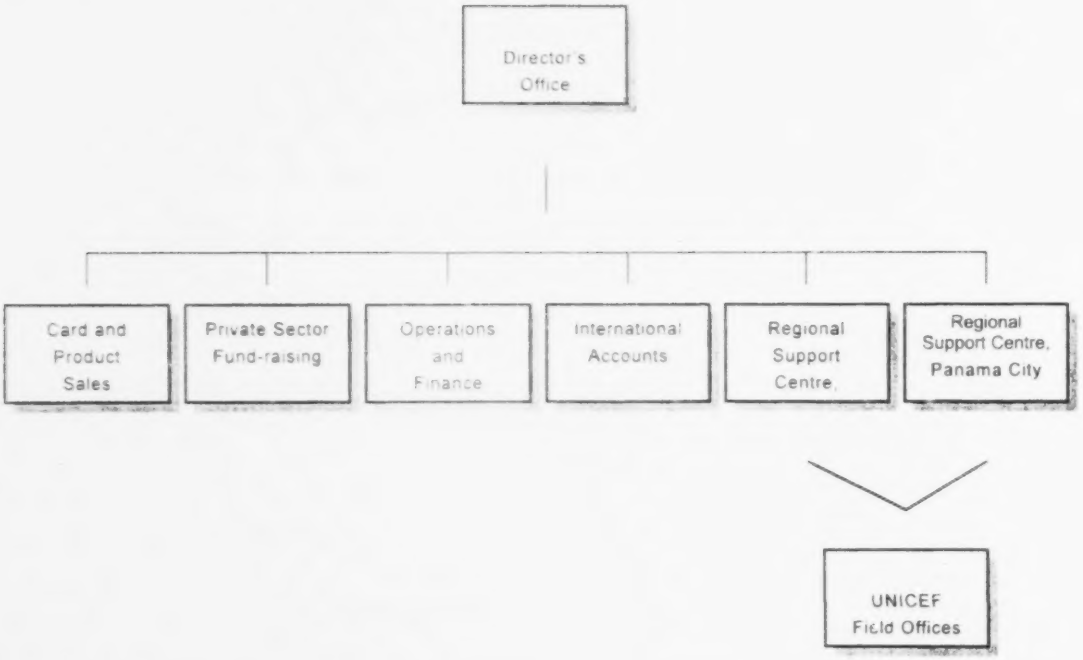
(a) A headquarters based in Geneva, with a partial presence in New York;

(b) A regional support centre for Asia in Bangkok;

(c) A regional support centre for Latin America in Panama City;

(d) PSD-funded posts at UNICEF field offices in 13 countries.

Figure A
PSD global structure, 2002



6. The PSD headquarters in Geneva will include the Director's Office; fund-raising and sales support for Europe, the Middle East and Africa; the global product development function; global financial reporting; administrative control; and operations support services.

7. Two income statement formats are included in the present work plan and budget document: table 1 — PSD income statement; and table 1A — net income after allocation of operating expenses by revenue-generating activity (management statement — supporting table 1). Table 1 reflects PSD results in the financial report that is submitted to and noted by the UNICEF Executive Board. This table is prepared in accordance with statutory requirements. Table 1A is a management report that shows PSD results of operations based on the performance of its revenue-generating activities, i.e. sales and fund-raising. This statement presents the allocation of support services between sales and private sector fund-raising to measure the net contribution of each activity.

8. As shown in table 1A, PSD's net consolidated income from both revenue-generating activities for 2002 is projected at $339.2 million, compared to the 2001 latest estimates of $319.4 million. Of this, 59 per cent ($199.2 million) will be raised for regular resources and 41 per cent ($140.0 million) for other resources (see figure B below). As seen from table 1A and figure C, $147.8 million, or 74 per cent, of the regular resources income will be raised through private sector fund-raising activities, and $51.4 million, or 26 per cent, will be raised through sales of cards and products.

Figure B. Composition of PSD net consolidated income, 2002

9. In the area of private sector fund-raising, the net operating income (before the Fund-raising Development Programme (FDP) and the Nordic Investment Programme) for regular resources for 2002 is projected at $158.2 million, compared to the 2001 latest estimates of $145.5 million (see table 1A). In addition, for 2002, $140.0 million of other resources income are projected, the same amount as the 2001 latest estimates.

Figure C. Composition of regular resources net operating income by income-generating area, 2002

10. In the area of card and product sales, the projected sales volume for 2002 is 137 million cards and gross proceeds for the same period are projected at $130.0 million. This is an increase over the 2001 latest estimates of 2 million in sales volume and $6.5 million in gross proceeds. The net operating income from card and product sales (before the Market Development Programme (MDP) and the Nordic Investment Programme) for 2002 is projected at $55.3 million, compared to the 2001 latest estimates of $48.3 million (see table 1A).

11. Growing competition, the strong United States dollar and the overall state of the world's economy continued to have a negative impact on PSD income. Consequently, the 2001 latest estimates project a shortfall against the 2001 approved plan by 17 million cards in sales volume and $28.3 million in gross proceeds. On the other hand, these shortfalls have been partially offset by reduced expenditures and a more focused approach in the area of fund-raising, which is expected to generate additional net proceeds of $12.6 million for regular resources over the 2001 approved budget.

12. As required by the Executive Board (E/ICEF/2001/6 (Part I), decision 2001/5), due to the projected decrease in 2001 net proceeds, PSD has reduced its expenditures for 2001 to $83.8 million, which is below the approved low projection of $86.0 million.

B. Policy issues

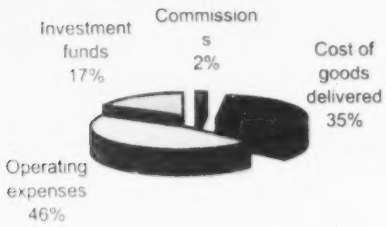
13. PSD proposes the review and approval of the following policy issues:

(a) **FDP**. For 2002, PSD proposes to continue FDP activities with a budget of $7.5 million ($0.5 million more than the 2001 approved budget), with a focus on the revitalization of its donor support (house list) and capacities of direct response in general in key markets of Australia, Canada and others;

(b) Increased investment in FDP will be offset by the recommended reduction of **MDP**. For 2002, PSD proposes to continue MDP activities with a budget of $2.7 million ($0.7 million less than the 2001 approved budget). Investments for 2002 will be focused on controlled experiments with new channels and the revitalization of existing ones;

(c) **Nordic Investment Programme**. In 2000, this programme was approved by the Executive Board for the period 2000-2003 to combine resources of the four Nordic National Committees (Denmark, Finland, Norway and Sweden) to create sustainable income-generation levels for each National Committee. For 2002, the third year of the programme, PSD proposes a budget of $4.1 million (the same as the 2001 approved budget) as envisaged in the four-year plan.

Figure D. Use of PSD resources, 2002



C. Consolidated income and expenditure projections for 2002

14. As indicated in table 1, the PSD net consolidated income for 2002 is projected at $339.2 million ($199.2 million for regular resources and $140.0 million for other resources), an increase of $19.8 million (6.2 per cent) over the 2001 latest estimates. The net consolidated income (regular resources) in 2002 of $199.2 million comprises net operating income from card and product sales of $48.4 million plus net operating income from private sector fund-raising of $165.1 million, offset by the cost of investments in MDP, FDP and the Nordic Investment Programme for a combined $14.3 million.

15. Consolidated expenditures for 2002, as summarized in table 2, are projected at $84.2 million, an increase of $0.4 million (0.5 per cent) over the 2001 latest estimates. This marginal increase over the 2001 latest estimates comprises increased operating expenses ($0.9 million) due to the separation payments for staff on abolished posts and higher investments in FDP ($0.3 million), offset by cessation of the Central and Eastern European National Committees Development Programme ($0.4 million), the lower cost of goods delivered ($0.3 million) resulting from the increased purchasing power of the United States dollar and lower commissions ($0.1 million). The cost savings due to restructuring will be mostly seen in 2003 when separation payments are completed.

Table 1. PSD income statement - 2000 actual, 2001 approved budget, 2001 latest estimates and 2002 proposed budget

(In millions of United States dollars)

	2000 Actual	%	2001 Approved budget	%	2001 Latest estimates	%	2002 Proposed	%	Variance 2002 vs. 2001 Latest estimates $	Variance 2002 vs. 2001 Latest estimates %
Gross proceeds - card and product sales	117.3		151.8		123.5		130.0		6.5	5.3
Less: Retention/commissions and direct expenses at field offices	33.0	28.1	39.0	25.7	32.3	26.2	33.8	26.0	1.5	4.6
Net proceeds - card and product sales	84.3		112.8		91.2		96.2		5.0	5.5
Less: Cost of goods delivered	24.9	21.2	32.0	21.1	29.5	23.9	29.2	22.5	(0.3)	(1.0)
Operating expenses	20.4	17.4	27.2	17.9	25.3	20.5	25.1	19.3	(0.2)	(0.8)
Provision for doubtful accounts	3.4		0.5		0.5		0.5		-	-
Add: Other income	6.1		7.0		6.8		7.0		0.2	2.9
Net operating income - card and product sales	41.7	35.5	60.1	39.6	42.7	34.6	48.4	37.2	5.7	13.3
Net operating income - private sector fund-raising	154.1		139.9		151.1		165.1		14.0	9.3
Less: Other charges										
Market Development Programme	2.3		3.4		2.7		2.7		-	-
Fund-raising Development Programme	5.6		7.0		7.2		7.5		0.3	4.2
Central and Eastern European National Committees Development Programme	0.7		0.4		0.4		-		(0.4)	(100.0)
Nordic Investment Programme	3.2		4.1		4.1		4.1		-	-
Net operating income	184.0		185.1		179.4		199.2		19.8	11.0
Less: Exchange rate adjustment	20.9									
Prior years' adjustments (gain)	(0.2)									
Net income - regular resources	163.3		185.1		179.4		199.2		19.8	11.0
Add: PSFR other resources	146.2		136.1		140.0		140.0		-	-
Net consolidated income	309.5		321.2		319.4		339.2		19.8	6.2
										%
Card sales volume (millions)	*127*		*152*		*135*		*137*		*2*	1.5

PSFR = private sector fund-raising.

Table 1A. Net income after allocation of operating expenses by revenue-generating activity - 2000 actual, 2001 approved budget, 2001 latest estimates and 2002 proposed budget: Management statement - supporting table 1

(In millions of United States dollars)

	2000 Actual			2001 Approved budget			2001 Latest estimates			2002 Proposed		
	Card and product sales	Private sector fund-raising	Total	Card and product sales	Private sector fund-raising	Total	Card and product sales	Private sector fund-raising	Total	Card and product sales	Private sector fund-raising	Total
Gross proceeds	117.3		117.3	151.8		151.8	123.5		123.5	130.0		130.0
Less: Retention/commissions and direct expenses at field offices	33.0	-	33.0	39.0		39.0	32.3		32.3	33.8		33.8
Net proceeds	84.3	159.3	243.6	112.8	147.4	260.2	91.2	160.0	251.2	96.2	175.0	271.2
Less: Cost of goods delivered	24.9		24.9	32.0		32.0	29.5		29.5	29.2		29.2
	59.4	159.3	218.7	80.8	147.4	228.2	61.7	160.0	221.7	67.0	175.0	242.0
Less: Marketing expenses	6.1	5.2	11.3	8.6	7.5	16.1	6.9	8.9	15.8	6.0	10.8	16.8
	53.3	154.1	207.4	72.2	139.9	212.1	54.8	151.1	205.9	61.0	164.2	225.2
Less: Support services	10.1	4.2	14.3	13.0	5.6	18.6	12.8	5.6	18.4	12.2	6.0	18.2
Provision for doubtful accounts	3.4		3.4	0.5		0.5	0.5		0.5	0.5		0.5
	39.8	149.9	189.7	58.7	134.3	193.0	41.5	145.5	187.0	48.3	158.2	206.5
Add: Other income	6.1		6.1	7.0		7.0	6.8		6.8	7.0		7.0
Net operating income before other charges	45.9	149.9	195.8	65.7	134.3	200.0	48.3	145.5	193.8	55.3	158.2	213.5
Less: Other charges												
Market Development Programme	2.3		2.3	3.4		3.4	2.7		2.7	2.7		2.7
Fund-raising Development Programme		5.6	5.6		7.0	7.0		7.2	7.2		7.5	7.5
Central and Eastern European National Development Programme	0.7		0.7	0.4		0.4	0.4		0.4			
Nordic Investment Programme	0.6	2.6	3.2	1.2	2.9	4.1	1.2	2.9	4.1	1.2	2.9	4.1
Net operating income	42.3	141.7	184.0	60.7	124.4	185.1	44.0	135.4	179.4	51.4	147.8	199.2
Less: Exchange rate adjustment	14.2	6.7	20.9									
Prior years' adjustments (gain)		(0.2)	(0.2)									
Net income - regular resources	28.1	135.2	163.3	60.7	124.4	185.1	44.0	135.4	179.4	51.4	147.8	199.2
Add: Other resources		146.2	146.2		136.1	136.1		140.0	140.0		140.0	140.0
Net consolidated income	28.1	281.4	309.5	60.7	260.5	321.2	44.0	275.4	319.4	51.4	287.8	339.2

Operating expenses												
Marketing expenses	6.1	5.2	11.3	8.6	7.5	16.1	6.9	8.9	15.8	6.0	10.8	16.8
Support services	10.1	4.2	14.3	13.0	5.6	18.6	12.8	5.6	18.4	12.2	6.0	18.2
Provision for doubtful accounts	3.4		3.4	0.5		0.5	0.5		0.5	0.5		0.5
Other charges	3.6	8.2	11.8	5.0	9.9	14.9	4.3	10.1	14.4	3.9	10.4	14.3
Total operating expenses and other charges	23.2	17.6	40.8	27.1	23.0	50.1	24.5	24.6	49.1	22.6	27.2	49.8
% to total operating expenses and other charges	56.9	43.1	100.0	54.1	45.9	100.0	49.9	50.1	100.0	45.4	54.6	100.0

TABLE 2. Summary of expenditures -

2000 approved budget, 2000 actual, 2001 approved budget, 2001 latest estimates and 2002 proposed budget

(In millions of United States dollars)

	2000 Approved budget a/	2000 Actual	2001 Approved budget	2001 Latest estimates	2002 Proposed	Variance 2002 vs. 2001 Latest estimates	
						$	%
MARKETING							
Commissions - field offices	2.2	2.0	2.0	1.8	1.7	(0.1)	(5.6)
Cost of goods delivered	34.6	24.9	32.0	29.5	29.2	(0.3)	(1.0)
Operating expenses	20.3	17.7	20.2	19.7	20.7	1.0	5.1
Subtotal	57.1	44.6	54.2	51.0	51.6	0.6	1.2
SUPPORT SERVICES							
Operating expenses	19.0	14.4	18.6	18.4	18.3	(0.1)	(0.5)
NON-OPERATING EXPENSES							
Market Development Programme	3.4	2.3	3.4	2.7	2.7	-	-
Fund-raising Development Programme	7.1	5.6	7.0	7.2	7.5	0.3	4.2
Central and Eastern European National Committees Development Programme	0.4	0.7	0.4	0.4	-	(0.4)	(100.0)
Nordic Investment Programme	4.0	3.2	4.1	4.1	4.1	-	-
Subtotal	14.9	11.8	14.9	14.4	14.3	(0.1)	(0.7)
TOTAL EXPENDITURES	91.0	70.8	87.7	83.8	84.2	0.4	0.5

a/ In accordance with Executive Board decision 2000/1, paragraph 2 (E/ICEF/2000/8/Rev.1), amounts reflect the low projection budget.

D. Human resources

16. As a result of the above-mentioned PSD headquarters consolidation in one location, the total number of posts will be reduced by 24 from 214 posts in 2001 to 190 posts in 2002, i.e. a reduction of 6 international Professional and 19 General Service posts, plus an increase by one national Professional post (see annex II). The average grade of international Professional posts funded by PSD will decrease from 3.68 in 2001 to 3.55 in 2002. The distribution of PSD staff by location will be as follows:

(a) **PSD headquarters** (comprising the Director's Office; the Office of Deputy Director for Fund-raising, with relevant reporting structures including fund-raising services; the Office of Deputy Director for Card and Product Sales, with relevant reporting structures including brand groups, product development and promotion; the Office of Deputy Director for Operations and Finance, including operations support services, finance and administration, and inventory management; and the International Accounts Section): 97 posts in Geneva, including 49 international Professional and 48 General Service; plus 26 posts in New York, including 16 international Professional and 10 General Service;

(b) **PSD regional support centre for Asia in Bangkok**: five posts, including two international Professional and three General Service;

(c) **PSD regional support centre for Latin America in Panama City**: seven posts, including four international Professional and three General Service;

(d) **UNICEF field offices in 13 countries (Argentina, Brazil, Chile, China, Colombia, Ecuador, Indonesia, Mexico, Nigeria, Peru, the Philippines, Thailand and Venezuela)**: 55 posts, including 3 international Professional, 19 national Professional and 33 General Service.

17. A special request is made for upgrading the post of Chief, International Accounts, from the current P-5 level to D-1. This reflects the increased significance of corporate alliances for both fund-raising and brand development and the fact that this post will be de jure the head of the remaining PSD structure in New York.

II. Marketing

A. Introduction

18. In 2001, PSD actively participated in the PSTF study especially related to the review of internal processes and interfaces with the National Committees. A value chain analysis was undertaken to determine the specific activities undertaken by PSD brand groups in support of National Committees and other PSD sections. This background work formed the basis of detailed discussions with the external consultants and formulation of some of the Task Force recommendations.

Table 3. Marketing: expenses for 2000 actual, 2001 approved budget, 2001 latest estimates and 2002 proposed budget

(In thousands of United States dollars)

Expenditures	2000 Actual	2001 Approved budget	2001 Latest estimates	2002 Proposed budget	Changes 2002 vs. 2001 Latest estimates $	Changes 2002 vs. 2001 Latest estimates %
Commissions - field offices	1,972	2,020	1,770	1,696	(74)	(4.2)
Operating expenses						
International posts	2,812	3,950	3,799	4,387	588	15.5
Local posts	1,898	2,021	2,128	1,909	(219)	(10.3)
Other post-related costs a/	260	245	245	1,100	855	349.0
Staff training	58	124	119	98	(21)	(17.6)
Other staff costs b/	214	365	345	268	(77)	(22.3)
Consultants	36	70	70	255	185	264.3
Travel	670	815	807	930	123	15.2
Other operating expenses c/	267	1,544	1,500	514	(986)	(65.7)
Furniture and equipment d/	48	40	34	30	(4)	(11.8)
Research and development	2,007	2,666	2,719	3,000	281	10.3
Field office expenses - product sales	3,024	3,555	3,312	3,524	212	6.4
Field office expenses - PSFR	1,935	2,633	2,565	2,895	330	12.9
Regional support centre expenses	1,135	1,671	1,510	1,349	(161)	(10.7)
Provision for doubtful accounts	3,395	500	500	500	-	-
Subtotal operating expenses	17,759	20,199	19,653	20,759	1,106	5.6
Total expenses	19,731	22,219	21,423	22,455	1,032	4.8

a/ Terminination indemnity and reimbursement of taxes.
b/ Short-term assistance , staff welfare and overtime.
c/ Contractual services, rent and maintenance of premises, rental and maintenance of furniture, equipment, communications, supplies and materials, hospitality and miscellaneous services.
d/ Office equipment, computer equipment and computer software.
PSFR = private sector fund-raising.

19. The JPP has allowed PSD to improve its database of specific challenges faced by each National Committee and specific market opportunities existing in each country. The process itself and the knowledge base resulting from JPP allowed PSD to target its technical inputs and facilitated the development of new sales and fund-raising initiatives. As a result of JPP discussions, a focused and leveraged investment programme in donor prospecting and direct mail building was launched in two markets.

20. The brand groups, almost fully staffed, were able to share best practices with increased capacity. The main focus continued to be on increased initiatives for sales and the expansion and development of new distribution channels. The private sector fund-raising workshop, held in early 2001, was dedicated to the Global Initiative for Fund-raising Techniques (GIFT) project to finalize the analysis and recording of best practices.

B. 2002 objectives

21. PSD objectives are to achieve (tables 1 and 1A):

(a) Net proceeds from UNICEF private sector fund-raising activities of $315.0 million (regular resources of $175.0 million and other resources of $140.0 million);

(b) Card sales volume of 137 million cards;

(c) Gross proceeds from product sales of $130.0 million;

(d) Net operating income of $199.2 million for regular resources;

(e) Increased awareness of UNICEF and the development of the UNICEF brand image through fund-raising campaigns and the sale of cards and products.

C. 2002 strategies

22 PSD strategies for 2002 include the following:

(a) Organizational effectiveness and service capacity:

(i) JPP, the key planning tool among PSD, the Geneva Regional Office and National Committees, will be expanded to cover all key markets;

(ii) Marketing staff, with the new post of Deputy Director for Fund-raising, will have enhanced capacity in PSFR for consultancy, coaching, advice and analysis in support of National Committees and UNICEF field offices;

(iii) PSD and National Committees will start the development and implementation of a long-term strategy for fund-raising and corporate alliances;

(iv) PSD and National Committees will start the implementation of the jointly developed sales strategy;

(v) Strategic marketing meetings with representatives from the 10n key National Committees will be strengthened as a forum to address issues related to sales activities;

(b) Fund-raising:

(i) The main focus will be on capacity development and funding of initiatives in Pledge Fund-raising/Committed Giving, the fastest growing segment of sustainable and predictable fund-raising income with a high component of regular resources;

(ii) The GIFT project started in 2000 has now produced best practice manuals in the most essential techniques (Pledge and Legacy Giving). In 2002, brand groups will stimulate implementation of best practices by individual National Committees and organize small, targeted training clinics in all relevant techniques;

(iii) Direct mail fund-raising continues to be the cornerstone for sustainable and long-term resource mobilization with the majority of National Committees. PSD is increasing its market research focus to ensure better targeting of message content and maximizing return on investment for UNICEF;

(iv) PSD and National Committees will initiate action on fund-raising and corporate alliance opportunities resulting from the Global Movement for Children;

(v) A best practice booklet will be produced on groundbreaking, innovative alliances that have yielded significant benefit to UNICEF;

(vi) PSD will increase proactive outreach towards the development of global partnerships to secure regular resources contributions;

(c) Sales:

(i) In line with the new sales strategy, creative developments will start in 2002 for the execution of campaigns in 2003 to respond to the requirements of the newly defined target markets;

(ii) Increased emphasis on product line profitability through stricter sales forecasting driving production authorization;

(iii) Continue supporting National Committees in further developing corporate sales through the customized card service to major corporations;

(iv) PSD design studio will refresh UNICEF point of purchase materials in line with the brand tool kit under development;

(v) In collaboration with National Committees, sales and distribution will be strengthened through controlled experiments with new channels, revitalization of existing channels and exploration of profitable sales potential of a World Gift Catalogue for selected markets (to be launched in 2003);

(d) Brand development and brand positioning:

(i) In collaboration with the UNICEF Division of Communication, PSD will develop a rejuvenated and common brand identity and global positioning for UNICEF. Visual training tools and workshops for implementation of the UNICEF brand model and subsequent "brand tool kit" will be developed;

(ii) Brand development in line with the UNICEF brand model and corporate alliance guidelines will be an integral part of the above-mentioned private sector income-generating strategy.

D. Market Development Programme

23. In 2001, a total of 29 projects were approved for funding from the MDP budget of $3.4 million. Projects were submitted by 11 National Committees. The financial investment of PSD in these projects at 1 December 2001 was $1.7 million, and gross proceeds from these initiatives are projected at $5.4 million.

24. For the 2002 work plan, MDP funding of $2.7 million is proposed, which is $0.7 million (20.6 per cent) lower than the 2001 approved budget. The emphasis of the proposed projects for 2002 will be based on the previously successful MDP campaigns and controlled testing of new channels.

E. Fund-raising Development Programme

25. For 2001, the Executive Board approved $7.0 million for FDP. As of 1 December 2001, $6.3 million had already been committed. Ten National Committees and seven UNICEF field offices benefited from FDP support in 2001. The gross proceeds from these investments are projected at $19.0 million.

26. For the 2002 work plan, FDP funding of $7.5 million is proposed, an increase of $0.5 million (7.1 per cent) over the 2001 approved budget. Investments will be focused on the revitalization of donor support, and advice and training in the launching and implementation of best practice initiatives from GIFT. The focus of PSD is to upgrade its donors and increase its pledge/committed donors, leading to a more sustainable income base with the potential for increased allocation to regular resources.

F. Nordic Investment Programme

27. For 2001, the Executive Board approved $4.1 million for the Nordic Investment Programme. As of 1 December 2001, $4.0 million had already been committed for the four Nordic National Committees. As per the original Nordic Region Development Plan, the total proceeds raised by the Nordic National Committees are projected to be $17.3 million.

28. For the 2002 work plan, Nordic Investment Programme funding of $4.1 million is proposed, the same as the 2001 latest estimates. This is in line with the four-year investment programme approved by the Executive Board in 1999. The investment will primarily drive the creation of a sufficiently large house list constituency of buyers and donors to achieve a self-sustaining level of income for each of the four Nordic National Committees by 2003.

G. Analysis of 2002 proposed budget

29. Net proceeds from UNICEF private sector fund-raising activities for 2002 are projected at $315.0 million, of which $175.0 million are for regular resources and $140.0 million for other resources. This represents a $15.0 million (5.0 per cent) increase over the 2001 latest estimates.

30. Gross proceeds from card and product sales for 2002 are projected to range from a low of $127.0 million to a high of $134.0 million (see table 7). The medium projection is $130.0 million, an increase of $6.5 million (5.3 per cent) over the 2001 latest estimates.

31. Sales volume for 2002 is projected at 137 million cards, an increase of 2 million cards (1.5 per cent) over the 2001 latest estimates.

32. Net proceeds from card and product sales for 2002, after deducting the amounts retained by National Committees, commissions paid to consignees and direct expenses at UNICEF field offices ($33.8 million), are projected at $96.2 million, $5.0 million (5.5 per cent) higher than the 2001 latest estimates.

33. Other income for 2002 is projected at $7.0 million, $0.2 million (2.9 per cent) higher than the 2001 latest estimates. This includes royalties from the sale of licensed products, donations generated from brochure and order forms, bank interest and discounts on purchases.

34. Total operating expenses for the Marketing Group in 2002 are projected at $22.4 million (see table 3), an increase of $1.0 million (4.8 per cent) when compared to the 2001 latest estimates. The increase is attributable mainly to the separation payments due to staff whose posts are abolished.

III. Support services

A. Introduction

35. This group provides support to PSD income-generating activities. It includes the cost of the Director's Office, Operations Support Services, and Finance and Administration.

B. 2002 objectives

36. The objectives of Support Services are:

(a) To provide financial, operational and information services support to management;

(b) To provide customer service to partners in a cost-effective manner;

(c) To provide support and expertise to the JPP in collaboration with the National Committees;

(d) To analyse profitability by revenue stream and to disseminate market, sales channel and fund-raising activity information for brand groups and National Committees;

(e) To improve forecasting of sales and fund-raising projections by utilizing quarterly/monthly reviews reported by National Committees.

C. 2002 strategies

37. The strategies to achieve the above objectives are:

(a) To improve customer service through timely and regular review of status against plan and use of the new streamlined structure of the operations support services as well as related processes;

(b) To review and enhance production and distribution processes and make them more effective and efficient; and to reinforce the role of the production review process to reduce delivery to sales ratio and, therefore, cost of goods;

(c) To emphasize greater rigour in common processes with National Committees, e.g. sales forecasting, ordering, and receipt and return of merchandise;

(d) To institutionalize the financial reporting package submission by each National Committee;

(e) To review periodically the annual plans with the information reported in the quarterly reports by the National Committees.

D. Analysis of 2002 proposed budget

38. Total expenses for Support Services are projected at $18.3 million, a decrease of $0.2 million (0.9 per cent) when compared to the 2001 latest estimates. This decrease is due primarily to a significant reduction in the number of posts in Support Services, partially offset by the separation payments for the staff whose posts are being abolished.

Table 4. Support services: expenses for 2000 actual, 2001 approved budget, 2001 latest estimates and 2002 proposed budget

(In thousands of United States dollars)

Expenditures	2000 Actual	2001 Approved budget	2001 Latest estimates	2002 Proposed budget	Changes 2002 vs. 2001 Latest estimates $	Changes 2002 vs. 2001 Latest estimates %
International posts	4,249	5,360	5,333	4,795	(538)	(10.1)
Local posts	2,718	3,394	3,350	2,959	(391)	(11.7)
Other post-related costs a/	928	438	448	1,209	761	169.9
Staff training	24	113	114	41	(73)	(64.0)
Other staff costs b/	364	361	353	302	(51)	(14.4)
Consultants	197	333	243	130	(113)	(46.5)
Travel	343	462	456	373	(83)	(18.2)
Operating expenses c/	3,294	4,694	4,730	7,643	2,913	61.6
Furniture and equipment d/	1,868	2,654	2,599	214	(2,385)	(91.8)
Regional support centre expenses	350	803	787	590	(197)	(25.0)
Total expenses	14,335	18,612	18,413	18,256	(157)	(0.9)

a/ Termination indemnity and reimbursement of taxes.
b/ Short-term assistance , staff welfare and overtime.
c/ Contractual services, rental and maintenance of premises, rental and maintenance of furniture, equipment, communications, supplies and materials, hospitality and miscellaneous services.
d/ Office equipment, computer equipment, computer software and plant equipment.

IV. Regional support centres and UNICEF field offices

A. Introduction

39. Gross proceeds generated by UNICEF field offices from PSD activities in 2002 are projected at $24.8 million, with costs estimated at $12.9 million (excluding FDP), resulting in a net operating income of $12.1 million (including other income of $0.2 million).

40. Because of the potential offered by the local markets, UNICEF will be establishing its presence through PSD-funded staffing structures in Chile, China and Venezuela.

B. 2002 objectives

41. The objectives are:

(a) To provide support, assistance and training to UNICEF field offices in the priority countries in Asia and Latin America;

(b) To achieve:

(i) Card sales of 17.2 million;

(ii) Gross proceeds of $13.4 million from card and product sales and $17.7 million from private sector fund-raising.

C. 2002 strategies

42. The strategies to achieve the above objectives are:

(a) In private sector fund-raising, to develop regional direct mail strategies to acquire new donors and appeals to the corporate sector for private sector fund-raising and sales; and to influence the product mix at the correct price points;

(b) To provide support to markets and monitor implementation of the 2002 work plan and budget;

(c) To organize regional workshops for sales and private sector fund-raising activities to review 2001 results, establish strategies, and provide training and support to achieve the 2002 objectives.

Table 5. Regional support centres and UNICEF field offices :

income and expenditures for 2000 actual, 2001 approved budget, 2001 latest estimates and 2002 proposed budget

(In thousands of United States dollars)

	2000	2001 Approved	2001 Latest estimates				2002 Proposed budget				Changes 2002 vs. 2001 Latest estimates	
	Actual	budget	C&P sales	PSFR	O&F	Total	C&P sales	PSFR	O&F	Total	$	%
Volume of card sales	14,377	19,216	15,191	-	-	15,191	17,195	-	-	17,195	2,004	13.2
Gross proceeds (RR + OR)	20,463	31,198	11,371	13,412		24,783	13,400	17,732		31,132	6,349	25.6
Less: Commissions paid to consignees	1,972	2,020	1,770			1,770	1,696			1,696	(74)	(4.2)
Net proceeds	18,491	29,178	9,601	13,412	-	23,013	11,704	17,732	-	29,436	6,423	27.9
Costs of goods delivered	2,567	3,300	2,926			2,926	2,879			2,879	(47)	(1.6)
Operating expenses:												
International posts	351	836	131	166	319	616	338	211	323	872	256	41.6
Local posts	2,116	2,126	1,136	716	108	1,960	1,178	1,022	40	2,240	280	14.3
Other post-related costs a/	61	207	45	24	134	203	1	-	40	41	(162)	(79.8)
Staff training	20	112	28	51	31	110	21	57	40	118	8	7.3
Other staff costs b/	843	1,155	862	511	55	1,428	807	440	12	1,259	(169)	(11.8)
Consultants	210		4			4	14			14	10	250.0
Travel	350	336	169	117	55	341	155	126	54	335	(6)	(1.8)
Other operating expenses c/	1,920	2,383	1,210	676	54	1,940	1,312	763	62	2,137	197	10.2
Furniture and equipment d/	54	149	70	29	31	130	94	40	19	153	23	17.7
Research and development	520	1,359	406	1,035		1,441	373	816		1,189	(252)	(17.5)
Total operating expenses	6,445	8,663	4,061	3,325	787	8,173	4,293	3,475	590	8,358	185	2.3
Other income	261	143	154	-	-	154	157	-	-	157	3	1.9
Net operating income before FDP	9,740	17,358	2,768	10,087	(787)	12,068	4,689	14,257	(590)	18,356	6,288	52.1
Percentage of gross proceeds	48	56	24	75		49	35	80		59		
Less: FDP	409	767	-	767	-	767	-	1,086	-	1,086	319	41.6
Net operating income after FDP	9,331	16,591	2,768	9,320	(787)	11,301	4,689	13,171	(590)	17,270	5,969	52.8
Percentage of gross proceeds	46	53	24	69		46	35	74		55		
Summary of expenditures:												
Commissions	1,972	2,020	1,770	-	-	1,770	1,696	-	-	1,696	(74)	(4.2)
Cost of goods delivered	2,567	3,300	2,926	-	-	2,926	2,879	-	-	2,879	(47)	(1.6)
Total operating expenses (international posts, local posts, staff training, other staff costs, travel, other operating expenses, furniture and equipment, research and development, bad debts)	6,445	8,663	4,061	3,325	787	8,173	4,293	3,475	590	8,358	185	2.3

PSFR = Private Sector Fund-raising; O&F = Operations and Finance; C&P sales = Card and Product sales;

RR = regular resources; OR = other resources; FDP = Fund-raising Development Programme.

a/ Termination indemnity.

b/ Short-term assistance, staff welfare and overtime.

c/ Contractual services, rent and maintenance of premises, rental and maintenance of furniture, equipment, communication supplies and materials, hospitality and miscellaneous services.

d/ Office equipment, computer equipment and computer software.

D. Analysis of 2002 proposed budget

43. For 2002, UNICEF field offices are projected to generate $31.1 million in gross proceeds, an increase of $6.3 million (25.6 per cent) over the 2001 latest estimates (see table 5). This increase is attributable primarily to higher proceeds from private sector fund-raising ($4.3 million) due to the launching of fund-raising activities in China and Indonesia, as well as to higher proceeds from sales ($2.0 million) in key markets of Latin America and Asia.

44. Total operating expenses for UNICEF field offices and PSD regional support centres in 2002 are projected at $8.4 million, an increase of $0.2 million, or 2.3 per cent over the 2001 latest estimates. This increase is attributable primarily to higher staff costs resulting from an increase in the number of posts by 5, from 62 to 67.

45. For 2002, the net operating income from UNICEF field offices from both sales and private sector fund-raising activities (excluding FDP) is projected at $18.4 million, an increase of $6.3 million. This increase is a result of a higher net operating income from private sector fund-raising ($4.2 million) and sales ($1.9 million), and lower operating expenses of the Operations and Finance Group of $0.2 million.

V. Medium-term plan, 2002-2006

46. Table 6 presents the medium-term plan for PSD for the period 2002-2006. This plan is based on the market trends, previous years' financial results, and strategic plans developed and implemented in cooperation with National Committees and UNICEF field offices in PSD priority countries.

47. PSD objectives, as per the medium-term plan, are to achieve by 2006:

(a) Net consolidated income for UNICEF from the private sector of $377.7 million, comprising $247.7 million in regular resources and $130.0 million for other resources;

(b) Net operating income from private sector fund-raising of $200.0 million for regular resources;

(c) Net operating income from private sector fund-raising of $130.0 million for other resources;

(d) Card sales volume of 150 million cards;

(e) Gross proceeds from card and product sales of $155.0 million.

Table 6. PSD medium-term plan: 2000 actual, 2001 approved budget, 2001 latest estimates, 2002 proposed budget and 2003-2006 projections

(In millions of United States dollars)

	2000 Actual	2001 Approved budget	2001 Latest estimates	2002 Proposed	2003	2004	2005	2006
					Medium-term projections			
Gross proceeds - card and product sales	117.3	151.8	123.5	130.0	140.0	145.0	150.0	155.0
Less: Retention/commissions and direct expenses at field offices	33.0	39.0	32.3	33.8	36.4	37.0	39.0	40.3
Net proceeds - product sales	84.3	112.8	91.2	96.2	103.6	108.0	111.0	114.7
Less: Cost of goods delivered	24.9	32.0	29.5	29.2	32.0	32.8	33.6	34.5
Operating expenses	20.4	27.2	25.3	25.1	26.5	27.3	28.2	29.5
Provision for doubtful accounts	3.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Add: Other income	6.1	7.0	6.8	7.0	7.5	8.0	8.5	9.0
Net operating income - PSD card and product sales	41.7	60.1	42.7	48.4	52.1	55.4	57.2	59.2
Net operating income - Private sector fund-raising	154.1	139.9	151.1	165.1	175.0	185.0	195.0	200.0
Less: Other charges								
Market Development Programme	2.3	3.4	2.7	2.7	3.5	3.5	3.5	3.5
Fund-raising Development Programme	5.6	7.0	7.2	7.5	7.0	7.0	8.0	8.0
Central and Eastern European National Committees Development Programme	0.7	0.4	0.4		-	-	-	-
Nordic Investment Programme	3.2	4.1	4.1	4.1	2.4	-	-	-
Net operating income	184.0	185.1	179.4	199.2	214.2	229.9	240.7	247.7
Less: Exchange rate adjustment	20.9							
Prior years' adjustments (gain)	(0.2)							
Net income - regular resources	163.3	185.1	179.4	199.2	214.2	229.9	240.7	247.7
Add: PSFR other resources	146.2	136.1	140.0	140.0	140.0	130.0	130.0	130.0
Net consolidated income	309.5	321.2	319.4	339.2	354.2	359.9	370.7	377.7
Card sales volume (millions)	*127*	*152*	*135*	*137*	140	145	148	150

PSFR = private sector fund-raising

TABLE 7. RANGE OF BUDGETED INCOME AND EXPENDITURES FOR THE FISCAL YEAR 1 JANUARY-31 DECEMBER 2002

(In millions of United States dollars)

	I Low projection	II Medium projection	III High projection
Budgeted income			
Gross proceeds - product sales	127.0	130.0	134.0
Deduct: National Committees' retention a/	27.9	28.6	29.4
Net proceeds	99.1	101.4	104.6
Add: Other income - net (table 1A)	6.8	7.0	7.5
Net proceeds - product sales	105.9	108.4	112.1
Private sector fund-raising - regular resources (table 1A)	170.0	175.0	180.0
Total net proceeds - regular resources	275.9	283.4	292.1
Budgeted expenditures			
Commissions - field offices	1.5	1.7	2.0
Cost of goods delivered	28.6	29.2	30.0
Marketing expenditures	20.0	20.7	21.5
Support services	17.8	18.3	18.9
Market Development Programme	2.7	2.7	2.7
Fund-raising Development Programme	7.5	7.5	7.5
Nordic Investment Programme	4.1	4.1	4.1
Total expenditures - consolidated (table 2)	82.2	84.2	86.7
Net consolidated income - regular resources (table 1)	193.7	199.2	205.4
Add: Other resources - private sector fund-raising (table 1)	135.0	140.0	145.0
Net consolidated income - regular resources and other resources	328.7	339.2	350.4

a/ Excludes field office commissions - budgeted in expenditures.

VI. Draft resolutions

48. The draft resolutions for Executive Board approval relating to the PSD budget for 2002 are presented below.

A. Private Sector Division budgeted expenditures for the 2002 season

The Executive Board

1. *Approves* for the fiscal year 1 January to 31 December 2002 budgeted expenditures of $84.2 million as detailed below and summarized in column II of table 7 to document E/ICEF/2002/AB/L.1:

	(In millions of United States dollars)
Commissions — field offices	1.7
Cost of goods delivered	29.2
Marketing expenditures	20.7
Support Services	18.3
Market Development Programme	2.7
Fund-raising Development Programme	7.5
Nordic Investment Programme	4.1
Total expenditures, consolidated	**84.2**

2. *Authorizes* the Executive Director:

(a) To incur expenditures as summarized in column II of table 7 of document E/ICEF/2002/AB/L.1 and to increase expenditures up to the level indicated in column III of the same table should the apparent proceeds from card and product sales and/or private sector fund-raising increase to the levels indicated in column III, and accordingly, to reduce expenditures below the level indicated in column II to the extent necessary, should the net proceeds decrease;

(b) To redeploy resources between the various budget lines (as detailed in paragraph 1 above) up to a maximum of 10 per cent of the amounts approved;

(c) To spend an additional amount between Executive Board sessions, when necessary, up to the amount caused by currency fluctuations, to implement the 2002 approved work plan.

B. Budgeted income for the 2002 season

The Executive Board

Notes that for the period 1 January to 31 December 2002, PSD net proceeds are budgeted at $283.4 million (regular resources) as shown in column II of table 7 of document E/ICEF/2002/AB/L.1.

C. Policy issues

The Executive Board

1. *Renews* MDP with $2.7 million established for 2002;

2. *Renews* FDP with $7.5 million established for 2002;

3. *Renews* the Nordic Investment Programme, which includes four countries, with a budget of $4.1 million for 2002;

4. *Authorizes* the Executive Director to incur expenditures in the 2002 fiscal period related to the cost of goods delivered (production/purchase of raw materials, cards and other products) for the 2003 fiscal year up to $32.0 million as indicated in the PSD medium-term plan (see table 6 of document E/ICEF/2002/AB/L.1).

D. Medium-term plan

The Executive Board

Approves the PSD medium-term plan as reflected in table 6 of document E/ICEF/2002/AB/L.1.

Annex I

Private Sector Division: Summary of post changes proposed for 2002

Detail	Posts/levels							Total IP	NO	GS	Grand total
	D2	D1	P5	P4	P3	P2	P1				
Base PAT 2001	1	3	12	24	33	7	0	80	18	116	214
Establish and abolish											
Marketing			-1			2		1		-6	-5
Support Services			1	-4	-2	2		-3		-10	-13
RSCs and UNICEF field offices					1	2		3	1	1	5
Total change, PSD	0	0	0	-4	-1	6	0	1	1	-15	-13
Reclassifications, PSD											
Marketing		1	-2	2	-1			0			0
Total reclassification, PSD	0	1	-2	2	-1	0	0	0	0	0	0
Deployments from PSD											
Marketing								0		-1	-1
Support Services			-2	-2	-2	-1		-7		-3	-10
Total deployments from PSD	0	0	-2	-2	-2	-1	0	-7	0	-4	-11
Deployments within PSD											
Marketing				-1	1						
Support Services				1	-1						
Total deployments within PSD	0	0	0	0	0	0	0	0	0	0	0
Total changes, reclassification, deployments	0	1	-4	-4	-4	5	0	-6	1	-19	-24
Total, Proposed 2002	1	4	8	20	29	12	0	74	19	97	190

IP = international Professional; NO = national officer; GS = General Service;
PAT = post authorization table; RSCs = regional support centres.

Annex II

Private Sector Division
Comparison of posts: 2001 approved budget versus 2002 proposed budget

	Posts/levels							Total			Grand
	D2	D1	P5	P4	P3	P2	P1	IP	NO	GS	total
Marketing											
Approved 2001		2	5	10	13	2		32		28	60
Proposed 2002		3	3	11	12	4		33		21	54
Change	0	1	-2	1	-1	2	0	1	0	-7	-6
Support Services											
Approved 2001	1	1	5	11	20	4		42		50	92
Proposed 2002	1	1	4	5	16	5		32		37	69
Change	0	0	-1	-6	-4	1	0	-10	0	-13	-23
Total, PSD headquarters											
Approved 2001	1	3	10	21	33	6	0	74	0	78	152
Proposed 2002	1	4	7	16	28	9	0	65	0	58	123
Change	0	1	-3	-5	-5	3	0	-9	0	-20	-29
RSCs and UNICEF field offices											
Approved 2001			2	3		1		6	18	38	62
Proposed 2002			2	3	1	3		9	19	39	67
Change	0	0	0	0	1	2	0	3	1	1	5
Total, PSD headquarters, RSCs and UNICEF field offices											
Approved 2001	1	3	12	24	33	7	0	80	18	116	214
Proposed 2002	1	4	9	19	29	12	0	74	19	97	190
Change	0	1	-3	-5	-4	5	0	-6	1	-19	-24

IP = international Professional; NO = national officer; GS = General Service;
ROs = regional offices; RSCs = regional support centres.